

COMMITTEE ON LEGISLATIVE RESEARCH
 OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3908-01
Bill No.: HB 1562
Subject: Economic Development; Taxation and Revenue.
Type: Original
Date: February 4, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

In response to similar legislation from this year, officials from the **Department of Economic Development** stated this proposal requires municipalities to provide additional notice about industrial development projects, and should have no fiscal impact on their agency.

Officials from the **Office of Administration, Department of Revenue, Office of the Secretary of State** and the **State Tax Commission** each assume this proposal would not fiscally impact their respective agencies.

In response to similar legislation from this year, officials from the **City of Kansas City (CKC)** stated this bill requires no additional cost to the City unless they wish to authorize a project which would involve the issuance of revenue bonds or the conveyance of fee interest in property to the City. If the City wishes to authorize such a project, this bill would add the new and additional requirements that a specific plan be approved by the governing body, that the other taxing jurisdictions involved be formally notified in writing and given an opportunity to be heard at a public hearing (held after publication of notice), and that the impact of the project on real and personal property taxes be estimated.

CKC stated the City currently prepares a plan for such projects. This bill requires that plan to be more specific and detailed and that would entail only a nominal increase in cost. The City currently holds public hearings before such projects. The only additional costs for those hearings attributable to this bill would be for the formal publication of public notice and the formal written notices (certified mail) to the other taxing jurisdictions that are not currently required, which would likely amount to approximately \$1,000 per project. The other additional costs that would be incurred by the City, if this bill is adopted and the City elects to authorize a project, would be estimating the impact of a project on tax revenue to all the taxing jurisdictions. If the project is a large one, the cost to the City could be substantial (\$10,000 or more). If it is a small, limited project, the City assumes the written estimate could be prepared for something less than \$10,000.

Officials from the **City of St. Louis, St. Louis County, Jackson County, City of Springfield** and the **City of Independence** did not respond to Oversight's request for fiscal impact.

Oversight assumes the proposal would result in additional costs to local governments that have industrial development projects, if those projects involve the issuance of revenue bonds or involves the conveyance of a fee interest in property. Oversight assumes this additional cost is unknown but minimal to each local government, but may not be minimal in the state-wide aggregate.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
Counties, Cities, Towns or Villages			
<u>Costs</u> - new requirements for industrial development projects	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

The proposal requires any municipality that intends to undertake an industrial development project to first submit a written plan for the industrial development which will explain the activities that may be undertaken by the municipality.

For any industrial development plan that authorizes the issuance of revenue bonds or the conveyance of a fee interest in property to the municipality, the proposal requires that the industrial development plan must first be approved by a majority vote of the governing body of the municipality. The proposal requires that, prior to approving such a plan, the municipality must provide a copy of the plan to each taxing district within the municipality and must solicit comments from each taxing district regarding the plan.

Current law states that any municipality proposing an industrial development project must first approve the plan by a majority vote of the municipality's governing body. The proposal requires that a specific plan be approved by ordinance. If the project or plan involves the issuance of revenue bonds or the conveyance of a fee interest in property to a municipality, the proposal requires that the project plan also include a statement identifying each taxing district affected by the project, the most recent equalized assessed valuation of the real and personal property included in the project, and an estimate as to the equalized assessed valuation of real and personal property included in the project after development.

DESCRIPTION (continued)

The proposal requires that a public hearing be held prior to the adoption of the ordinance. During the public hearing, any interested person or affected taxing district may provide comments regarding the proposed industrial development project.

The proposal requires that certain taxing districts be notified, in writing, of the hearing to be held regarding the industrial development.

The proposal requires that certain taxing districts be given a written statement explaining the impact the industrial development project will have on certain taxes and equalized assessed valuations.

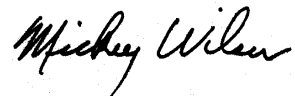
Current law requires that the municipality must file with the Department of Economic Development an annual report on the previous year's revenue bond issuances and general obligation bond issuances. The proposal requires that a copy of this report also be given to certain affected taxing districts.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
State Tax Commission
Department of Revenue
Secretary of State's Office
Office of Administration
City of Kansas City

NOT RESPONDING: **City of St. Louis, City of Springfield, City of Independence
St. Louis County, Jackson County.**



Mickey Wilson, CPA
Acting Director
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